



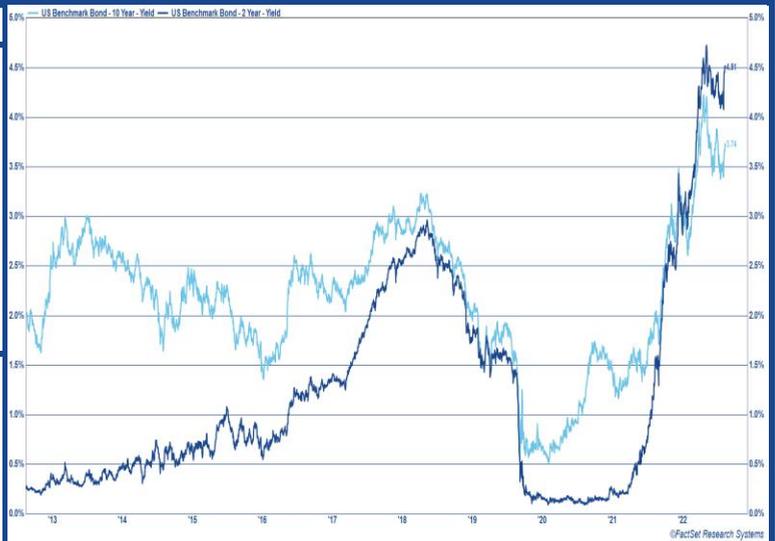
Economic & Market Commentary

Stock and bond markets declined last week due to muted earnings and the continued hawkish stance from the Fed. The performance of S&P 500 companies during the Q422 earnings season continues to be subpar. For Q422, the blended earnings decline for the S&P 500 is -4.9%. If -4.9% is the actual decline for the quarter, it will mark the first time the index has reported a year-over-year decline in earnings since Q3 2020 (-5.7%). Overall, 69% of the companies in the S&P 500 have to date reported actual results for Q4 2022. Of these companies, 69% have reported actual EPS above estimates, which is below the percentage of 70% at the end of last week, below the 5-year average of 77%, and below the 10-year average of 73%. Earnings and guidance metrics have continued to broadly underwhelm, though the bar has been substantially lowered and strategists have highlighted positive takeaways around cost cutting, moderating input prices pressures, better supply chain dynamics, and China swinging from a headwind to a tailwind throughout the year. The biggest headwind continues to be the Fed and inflation. In his appearance at the Economic Club of Washington, Fed Chair Powell mostly repeated his post-FOMC press conference remarks. Powell again said that disinflation has begun but has a long way to go, and more rate increases are probably needed. He also noted that the labor market is at least at maximum employment, while he thinks it will be into next year before inflation is down close to 2%. Treasuries turned into a headwind amid a repricing of the Fed rate path. The move was driven in part by some updates that added uncertainty around the disinflation narrative, including a January rise in used vehicle prices and Friday's February Michigan consumer sentiment report that showed a 0.3pp increase in 1yr inflation expectations to 4.2%. The policy-sensitive 2yr yield rose to the highest levels since November, while markets are now pricing in a peak fed funds rate of 5.15% and one rate cut by year-end, up from around 4.90% last Thursday and two 2023 cuts. Yield curve signaling also reflected more recession fears, with the 2Yr/10Yr spread hitting -80 bp, its most inverted point since the early 1980s.

Index Total Returns - February 10, 2023

	1-Wk	YTD	1-Yr
NASDAQ	-2.37	12.05	-16.68
Russell 2000	-3.34	9.05	-5.10
S&P 400	-2.49	8.74	0.08
MSCI-Developed	-1.57	7.34	-6.70
S&P 500	-1.07	6.71	-7.66
MSCI-Emerging	-2.40	6.04	-16.60
Dow Jones	-0.11	2.33	-1.86
Barclay's U.S. Bond Index			
High Yield	-1.78	3.08	-5.18
Municipal	-0.55	2.42	-3.64
5-year Muni	-0.38	1.72	-1.17
Aggregate	-1.43	1.55	-7.94
Int. Gov. Credit	-0.89	0.80	-4.79

U.S. Treasury 2yr and 10yr Yields



U.S. Treasury Yields

Treasury Yields	Latest Close	Week Ago	1-Year Ago
U.S. 1-Yr	4.93	4.82	1.06
U.S. 2-Yr	4.51	4.28	1.56
U.S. 3-Yr	4.20	3.97	1.80
U.S. 5-Yr	3.93	3.67	1.94
U.S. 10-Yr	3.74	3.53	2.03
U.S. 30-Yr	3.83	3.63	2.31

S&P 500 Sector Total Returns - February 10, 2023

Sector	1-Wk	YTD	1-Yr
Consumer Discretionary	-2.11	14.59	-20.70
Communication Services	-6.59	13.13	-24.54
Info Tech	-1.02	12.86	-11.72
Real Estate	-2.00	8.66	-9.69
Financials	-0.34	6.67	-8.44
Materials	-1.65	5.63	-1.56
Industrials	-0.68	4.02	3.09
Energy	5.05	3.07	38.20
Consumer Staples	-0.52	-1.91	-0.53
Health Care	-0.19	-2.50	1.95
Utilities	-0.25	-3.95	4.18

Municipal Yields - Bloomberg/Barclays Index

Issue Type	Latest Close	Week Ago	1-Year Ago
U.S. AAA	2.92	2.78	1.61
U.S. AA	3.03	2.90	1.67
U.S. A	3.59	3.47	1.92
U.S. Baa	4.20	4.12	2.22
U.S. Municipal	3.22	3.09	1.77
Michigan	3.37	3.25	1.84

Index Characteristics	P/E NTM	P/E NTM 10yr-Avg.	Dividend Yield
S&P 500 - Large Cap	18.16	17.42	1.57
S&P 400 - Mid Cap	14.35	15.58	1.46
S&P 600 - Small Cap	13.70	16.34	1.41